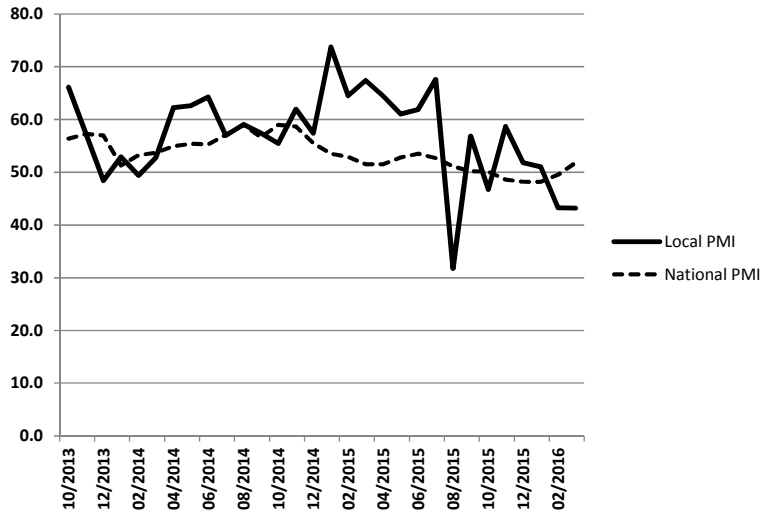


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The PMI Index

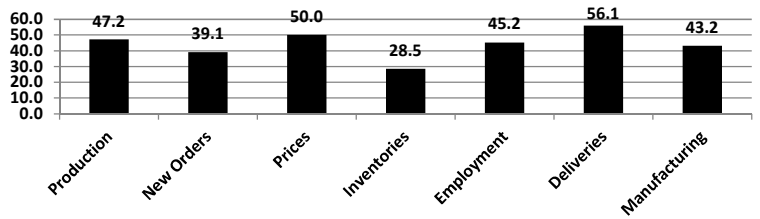
The local Buffalo-Niagara Manufacturing index continued in contractionary territory for the second straight month in March, holding almost steady at 43.2 relative to February's 43.3 mark. The national ISM manufacturing index pulled back into positive territory with an index value of 51.8 in March following 4 months of contractionary results. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, posted its first expansionary result since July of last year. In spite of the two contractionary months, I almost feel more bullish than recent months due to the strengthening of the broader manufacturing measures. Locally we continued to expand in spite of broader weakness through February, hopefully we will not have contrarian results too long if the regional and national measures continue to show expansion.

Looking to the other local results, the New Orders and Employment indices strengthened although remained contractionary with index values of 39.1 and 45.2 in March. Inventories may be the other most notable series, falling from 47.2 to 28.5 signifying inventory drawdowns among local respondents. Vendor deliveries were related to be faster relative to prior month with an index value greater than 50.0, the sole production measure remaining above the 50.0 mark. Prices crept back up to the expansionary mark in March, with oil prices seeming to find a bottom this may stop the consistent recent commodity price declines.



This month (Seasonally Adjusted)

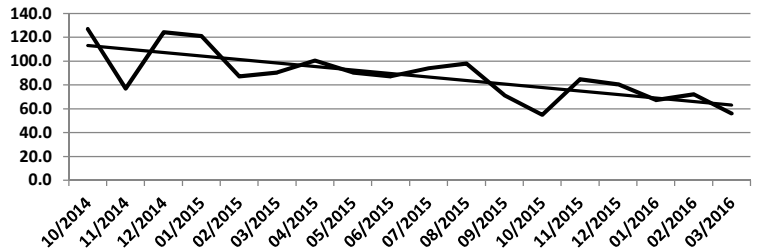
Index	Index	Direction	Rate of Change
Production	47.2	Decreasing	Increasing
New Orders	39.1	Decreasing	Decreasing
Prices	50.0	Increasing	Increasing
Inventories	28.5	Decreasing	Increasing
Employment	45.2	Decreasing	Decreasing
Deliveries	56.1	Faster	Flat
Manufacturing	43.2	Decreasing	Flat



Production Buying Policy

Days ahead production commitments among respondents decreased to 56.2 days from 72.3 days in February. We fell below the the 18 month long term trend in March, while continuing along the general trend of fewer days ahead in production purchasing. With the weaker manufacturing results locally continuing this may continue over the near term.

Production Buying Policy

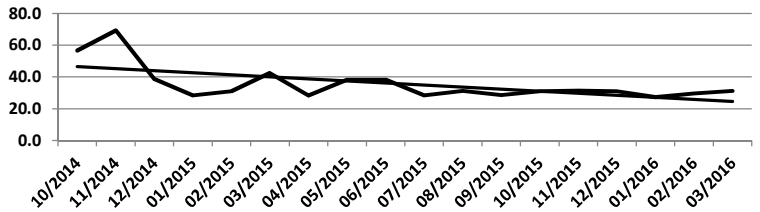


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 31.2 days from 29.7 days in February. This series again remains remarkably consistent after its movement to the new lower levels. March MRO is the highest on hand levels since 31.4 in November 2015. We are near aging out of what had been the normal historical levels near 60 days in our 18 month window.

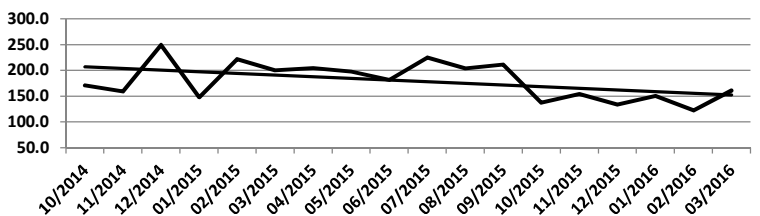
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 161.3 days ahead in March, up from 122.3 days in February. We remain below prior year levels during March, although did break above the long term trend line for the first time since October which may signal some strength.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
March 2016	23.1%	53.8%	23.1%	50.0	68.8
February 2016	33.3%	40.0%	26.7%	53.3	72.2
January 2016	30.8%	46.2%	23.1%	53.8	72.2

The Production diffusion index registered an index value of 50.0 in March, off 3.3 points from February's 53.3 index value. We remain in expansionary territory (albeit barely) for production with this index generally sliding in recent months.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
March 2016	23.1%	38.5%	38.5%	42.3	87.5
February 2016	13.3%	40.0%	46.7%	33.3	66.7
January 2016	30.8%	38.5%	30.8%	50.0	83.3

The non-seasonally adjusted New Orders index continued in contractionary territory in March with an index value of 42.3, certainly no match relative to the strong results we were seeing at this point last year. I remain concerned in watching this series specifically, while not as weak as last month it still signaled lessened orders relative to February's levels.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
March 2016	15.4%	69.2%	15.4%	50.0	43.8
February 2016	13.3%	53.3%	33.3%	40.0	50.0
January 2016	15.4%	61.5%	23.1%	46.2	66.7

The Commodity Price diffusion index registered a value of 50.0 in March (a value of 50.0 signifies increases relative to prior month). This is the first time since September 2015 we have seen increases in commodity prices relative to prior month, with oil prices seeming to find a bottom there is the possibility of additional increases over the near to mid-term.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
March 2016	7.7%	46.2%	46.2%	30.8	81.3
February 2016	26.7%	46.7%	26.7%	50.0	72.2
January 2016	23.1%	53.8%	23.1%	50.0	72.2

The Inventories of Purchased Goods index fell to 30.8 in March, following two straight months of weak increases with index values of 50.0 in both January and February.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
March 2016	23.1%	46.2%	30.8%	46.2	75.0
February 2016	0.0%	66.7%	33.3%	33.3	61.1
January 2016	30.8%	30.8%	38.5%	46.2	77.8

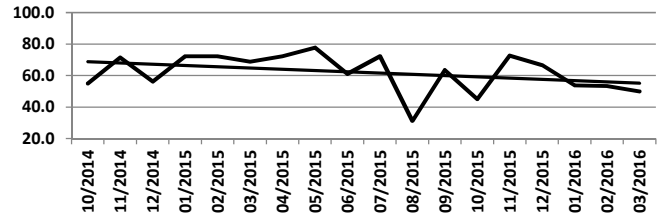
The non-seasonally adjusted Employment index remained in contractionary territory during March, although we did converge toward expansionary territory. Although the index signals contraction, over two-thirds of respondents stated they had the same or higher employment levels relative to February.

Vendor Deliveries were:

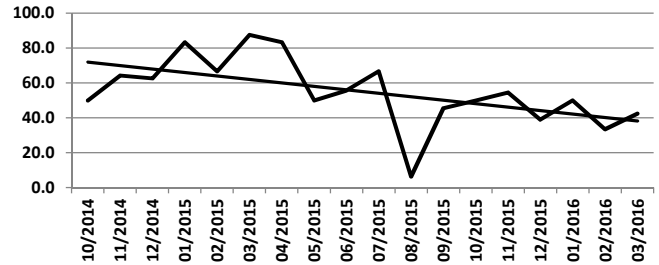
Period	Faster	Same	Slower	Index	Prior Yr
March 2016	15.4%	84.6%	0.0%	57.7	43.8
February 2016	6.7%	93.3%	0.0%	53.3	61.1
January 2016	7.7%	92.3%	0.0%	53.8	61.1

The Vendor Deliveries index registered a value of 57.7 value in March, up slightly from February's 53.3 index value. We again see faster deliveries relative to prior month, although the majority of respondents reported speed of delivery was the same relative to prior month.

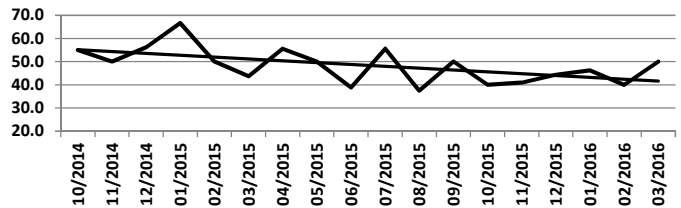
Production - Diffusion Index



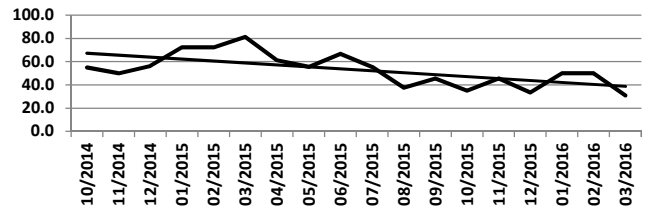
New Orders - Diffusion Index



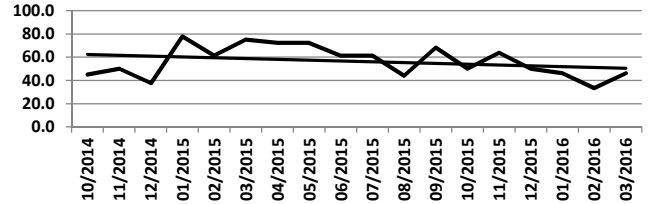
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

